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ART. X.—*An Account of the Paper Currency and Banking System of Fuhchowfoo.* By H. PARKES, ESQ.

[Read 8th January, 1848.]

AMONG the various wonderful inventions, marking the astonishing advances which the Chinese had so early made towards civilization, is that of *Paper-Money*, which dates as far back as the year 119 before our era. The cause that led to its introduction was the low state of the finances of the Government, who, after various other experiments, issued at last regular paper assignats, which, from the ponderous nature of the rude coin then in use, and the security that the warranty of government afforded, soon obtained extensive circulation. The government who had thus introduced this new currency, made it an object of much legislation; and various were the schemes that were started and remoulded, in the hope of permanently establishing its use. But the numerous intestine wars, and the repeated subversion of dynasties that followed, tended seriously to detract from the credit of the government; and thus, owing to its bad faith, and the excessive issues, a complete failure of the system was the result, after a lapse of five centuries having been spent in unsuccessful attempts to establish it. Government paper-money seems to have disappeared in the early part of the late Ming dynasty; and the Manchus, on their accession, never attempted to revive its use. To Klaproth we are indebted for very elaborate researches on this interesting and oft-discussed subject.

But the Chinese being so essentially a commercial people, it is not surprising that they should see the utility of a paper currency, and the facilities that it affords to mercantile transactions. When, therefore, they had quietly settled down under their new Tartar rulers, we find them taking up the matter among themselves, and by their quiet unostentatious way of proceeding,—their plans being projected as their wants occasioned,—there is little doubt, though the progress made be but slow, that what proved a failure with the legislature, will ultimately succeed in their hands.

But their banking is still only in a primitive state; and the various large centres of trade seem each to have originated its own system, for we find that this differs at almost every locality. A lack of uniformity must necessarily be met with in any extensive country, possessing but poor means of internal communication; and when

disposed to judge this defect harshly, we must remember that the Chinese, in their semi-civilized state, know not yet to what beneficial purposes steam may be applied; nor even appreciate the worth of a good road, which they have not yet learned how to construct.

At Fühchow, the paper currency, from its greatly extended circulation, immediately attracts attention; and the banking system pursued there with regard to it, is one of the most striking features in the trade of that place. The following particulars relating to it were learned by a course of careful inquiries made during a residence there; and though but crudely described in this paper, they may still prove of interest, as furnishing some information relative to banking in China, of which little is known, and of which that of Fühchow presents a good specimen.

The issue of paper-money at Fühchow appears to have originated, as in most other instances, amongst private individuals; notes representing sums of money payable on demand being at first merely given, taken, or interchanged between parties well known to each other, as a friendly accommodation. The great convenience of a paper medium soon led to an increased circulation of such notes; and establishments were eventually opened for the express purpose of conducting the issue of them. But, recommended only by their private credit, their transactions were naturally at first very limited; and the notes issued were accordingly but for trifling amounts. Little had been done before the commencement of the present century, when the public confidence in them becoming stronger, the issue rapidly increased; and by 1815, notes for all amounts were in general use. The circulation continued to progress; and, at the present time, has almost entirely superseded the use of bullion. Paper-money has now become the great circulating medium of Fühchow. It is adopted by everybody, high or low, to the almost entire rejection of their bulky coins, which they seldom continue to carry on their persons.

Since, however, anybody could, at liberty, assume the power of issuing paper-money, it became somewhat depreciated from excess. Banking establishments could be opened, and their notes circulated, without previously procuring any license from the government, or without having to give any security as to their power to meet their liabilities. Thus, numerous speculators crowded forward, and heedlessly involved themselves in these monetary transactions. An over-issue of notes was the natural consequence, and paper-money soon sunk considerably below par. Notwithstanding, however, the depression that followed, the system gradually and effectually worked its way; recovered itself from this temporary stagnation; and, though

still remaining entirely in private hands, seems now to have become settled on a firm, enduring basis, which speaks volumes for the dependence that is to be placed upon the public credit. There are very few notes that are now below par; and such of them as are to be found are only of small amounts.

This extensive competition may, however, be found to possess its advantages; for though instances of individual failures have occurred, a general crash, seriously affecting the public interests, is a thing unheard of. Liabilities are not vested, as with us, in one or a few establishments; but the responsibility is divided among many. For the same reason, however, their sphere of usefulness is much contracted. They are not, to any great extent, banks of deposit; and, comparatively but in a few cases, have sums of money belonging to the people in their keeping. Their liabilities are chiefly confined to converting their notes, which they issue in number according to the amount of capital they may severally be worth.

The extent of the dealings with any of these establishments is regulated by their respective private credit, which in many instances does not extend beyond the city or the department, and seldom or never beyond the confines of the province. Thus they can afford little or no assistance in facilitating the making of payments between places situated at any great distance apart; and as they neither take the money of merchants or tradesmen on deposit, nor open accounts with them for the disbursement of payments, are thus therefore wanting in two of the most important branches of banking, which, if well carried out, render it so invaluable a convenience to the public at large. They only take deposits on interest from a few merchants or private friends, and express a decided aversion towards extending these liabilities. Such deposits have to be withdrawn in the whole of the original amount, and interest is given for them at the rate of 9½ per cent. In the provinces to the north of Fühkëen, as Chêkeang, &c. they bank on an improved and much more liberal scale. There the people open regular accounts with their bankers, who generally will make advances of money, or allow their customers to overdraw their accounts, without charging them with interest, though they, on the other hand, pay none on deposits.

The banking establishments in the city and suburbs of Fühchow, may be enumerated by *hundreds*. Most of them are naturally very insignificant, and the circulation of their notes exceedingly limited. Many of the outside notes will not pass current inside; and are only convertible at the place of issue. Such branches as these must be entirely superfluous; and might seriously inconvenience or trammel

the transactions of the higher ones; but, in order to guard against encroachment from this direction, and as a self-protective measure, several of the leading banks of known stability co-operate with each other to keep up the value of their notes; and thus, by holding a strong check on the issues of these minor parties, effectually continue to regulate the whole system. There are thirty of these establishments inside and outside the city, all reported to be possessed of capital to the amount of five hundred thousand to upwards of a million dollars.

These latter establishments command the utmost confidence, and their notes pass current everywhere, and with everybody. They contribute mutual support by constantly exchanging, and continually cashing each others' notes, which they severally seem to value as highly as their own particular issues. This reciprocal and implicit trust must add greatly to their solidity, and tend to prevent the possibility of failure. The chief banker gained his high reputation by a voluntary subscription, about thirty years ago, of no less than 100,000 dollars to the Government toward the repairs of the city walls and other public works, for which he was rewarded with honorary official insignia, and the extensive patronage or business of all the authorities. These large banks are complete rulers of the money market; they regulate the rates of exchange, which are incessantly fluctuating, and are known to alter several times in the course of the day. The arrival or withdrawal from the place of specie to the amount of a few thousands, has an immediate effect in either raising or lowering the exchange. The bankers are kept most accurately informed on the subject by some twenty men in their general employ, whose sole business it is to be in constant attendance in the market, and to acquaint the banks of everything that is going on, when they, guided by the transactions of the day, determine and fix upon, between themselves, the various prices of notes, sycee, and dollars. Their unanimity on these points is very remarkable; and they are all deeply impressed with the salutary conviction that their chief strength consists in the degree of mutual harmony and alliance that they preserve towards, and place in, one another. These reporters are also very useful to new arrivals, in affording them guidance on matters of exchange, or in introducing them to the best bankers; and the allowances that the stranger makes them for their assistance, and the banker for procuring him custom, constitute the gait of their calling. They have also to report the prices of silver every morning at the Magistracy, which from its daily increasing value has become an object of especial attention.

The large banking establishments conduct all matters of exchange

necessary in mercantile transactions, cash promissory notes, and conduct the refining of the sycee for those officers who have to pay in the annual taxes to the revenue. As these payments must be made in silver of certain purity, the banks are of great convenience to these officers, who send to them the bullion of any kind that they have been able to collect, and make them a large allowance for the waste and cost of melting, refining, and casting it into ingots of the prescribed size, and regulation "touch." The banker, on receiving these monies, gives a certificate acknowledging the deposit in his hands of a certain amount of taxes or duties, and this receipt the officer delivers to the provincial treasurer, who accepts it in lieu of the sum due, and thenceforward holds the banker responsible for the payment of the same on demand, and also for the purity and quality of the sycee. Similar services are performed by the bankers to merchants who have to pay in amounts of duties to the Custom-house.

Further, by an extended circulation of their notes, either for dollars or copper cash, they amass large principal, which they lend out at high interest; or, with this large capital at their disposal, avail themselves of the fluctuating exchange to work it to their advantage. They also keep up an intimate connection with the pawnbrokers, who make and receive all their payments in notes for copper cash, and will not take sycee, dollars, or dollar notes,—the former, lest they should prove counterfeit, and the latter on account of their fluctuating value. They are very particular in passing the bank-notes, and will only accept those of the large banks. A notice is hung up in each shop specifying what notes pass current with them; and when the people go to redeem the articles they have pledged, as they can only present those notes in payment, they have often to repair previously to the bank where they are issued, to purchase them, and, being at a premium, the banker thus gains his discount upon them. Of such importance is this considered, that, without the support of the pawnbrokers' connexion, the business of a banker will always be limited. Indeed, many of the banks keep pawnbrokers' shops also; and the chief banker at Fühchow is known to have opened no less than five of these establishments. This is on account of the high interest paid on pawnbrokers' loans.

It is thus, by combining these various ramifications, that banking on a large scale becomes an advantageous business, and the profits to be reaped therefrom considerable. Though all establishments of this nature must always conduce in some degree to the convenience of the public, those of Fühchow seem to tend more especially to benefit private interests. Banking, with all its attendant duties, is here considered to

be one of the trades ; and there are certainly more persons following this line of employment than any other.

The transactions of the smaller establishments constitute (if the expression may be permitted) the *retail* part of the business. The parties conducting them commence with only a small capital of a few thousand, or even a few hundred dollars, and their dealings are proportionately trifling. Their paper-issues are at first very limited, and for very small amounts, as they are accepted with considerable diffidence, and are almost immediately returned for payment. For some period they are obliged to keep bullion on hand to the amount of their liabilities ; and it is only by being constantly prepared to meet these that they gradually gain a name for stability and credit. A run is made upon these small banks at the close of the year, when specie is mostly required ; and, at this crisis, one or two failures among them generally occur. In order to preserve their credit they circulate the notes of the larger banks to a greater extent than their own, which are continually being returned to them. It is a regular thing for every banking establishment to collect and return to their various issuers all the notes of small banks that they may have received during the last twenty-four hours, who retire them either for money, or, as is more often the case, pay them up in the notes of the large banks. The small banks generally secure the business of their immediate neighbourhood by convenience of position, which also emboldens them to demand a higher rate of discount than the large banks, which may be at some distance off ; or should these latter be in their near vicinity, the small banks will be ready to discount at a little lower rate than they demand, and yet, at the same time, secure a slight profit by inserting among the strings of copper cash, in which they make their payments, coin of depreciated value, which they buy up cheap for that purpose. Such petty chicanery is not viewed, as with us, in the light of an offence, since, from the exceeding low value of the Chinese cash, (twenty-seven being only equivalent to a penny,) those must be bad indeed which will not pass current with the rest, and, accordingly, the inferior sorts, when used in moderation, are accepted along with the better in all the ordinary transactions of life. The profits of these establishments must, therefore, be but slender, (proportioned, however, to the extent of their dealings,) and some of the smallest firms may not make more than half a dollar in the course of a day.

It is surprising how few failures are to be heard of. These, when they do occur, are almost entirely confined to the small banks, which become insolvent for small amounts, and these being again divided into petty sums amongst many individuals, the loss sustained is but little

felt. In such cases, they arrange matters amongst themselves, in a very quiet manner; and seldom refer them to the authorities for management. The defaulters have to dispose of all their property and lands, and pay their debts with the proceeds to the best of their ability. Their creditors take care to see that this be done; and thus it is that they are generally enabled to give a dividend of from 50 to 60 cents in the dollar, or 10 to 12 shillings in the pound. Such failures, therefore, cannot be the consequence of premeditated fraud. One or two isolated instances of the latter have occurred; and once to the amount of 70,000 dollars, almost, if not the largest of the kind known. Four bankruptcies have been recorded at the Magistracy, during the last five years; one was the case just mentioned, and the three others were all for amounts under 6,000 dollars. Little is to be obtained by referring such matters to the authorities; as, if they apprehend the delinquents, they can only imprison them, and the expenses of the prosecution are not slight. No apprehensions are entertained as to the stability of the large banks. They have sometimes been subjected to panics, by malicious or unfounded reports, affecting their credit, having been raised against them, when sudden rushes have been made by the people to cash all their notes in circulation, crowds have collected round the suspected banks, and scenes of perhaps unmerited plunder of house and chattels have occurred, being committed by ruthless vagabonds who joined the mob in the work of depredation, though without having any claims upon the firm. It is now, therefore, customary for the magistrates to repair in person to any bank on which a rush is being made, and to afford it some help and protection, by endeavouring to restrain the hasty demands of the creditors, and even by pledging themselves as security for its credit. So sudden, however, are these rushes made, that in order to prevent a scene of violence occurring, it is, above all, necessary that they be promptly on the spot.

Forgery is also seldom practised, and never to any great extent, as notes for small amounts, which are readily convertible, are the only ones that are counterfeited. The penalties for this crime are not nearly so severe as with us, and transportation for 3,000 *le*, (or little less than 1,000 miles,) is the heaviest sentence yet passed upon it. More frequently the punishment has been confined to imprisonment, or corporal castigation merely. The authorities, however, are seldom troubled on this point. A forger of some notoriety having been several times prosecuted by the bankers, and with but little success, for he still continued to carry on his mal-practices, they conferred together, and agreed to *take him into their pay*, making him respon-

sible for any future frauds of the kind. He continues to receive a stipend from them at the present time, and is one of their most effective safeguards against further imposition, as it devolves upon him to detect and apprehend any other offender.

Copper-plates are mostly used for engraving the notes, but blocks are not yet out of date among the small bankers, who continue to use them from economical reasons. The notes are rather smaller than ours, being a little longer, but considerably narrower. They are surrounded with an elaborately engraved border, studded with sentences or addresses recommendatory of the firm, or its reputation, which gives them a very pretty appearance.

There are three descriptions of notes issued by the Fühchow bankers; viz., for copper, cash, dollars, and sycee.

Cash notes.—This is the most extensive kind; and they range in amount from four hundred cash, (1s. 3d. sterling,) to several hundred thousand. They are considered to be a most convenient circulating medium for common use; and, in ordinary transactions of life, are much preferred, on account of their portability to the copper cash itself, of which there is considerably less current here than these notes.

The *Dollar notes* are used chiefly by the mercantile or trading community; and are of a more recent origin than the former, having been extensively circulated only during the last twenty years. They are given for from one dollar to one thousand; but few only are met with of the latter amount; and they more generally range from one hundred to five hundred dollars. Being issued for silver, the intrinsic value that they command is constantly fluctuating, and as much as from 2 or 3, to 10 or 15 cash per dollar in a day.

The *Sycee notes* also range from one to several hundred taels; but the use of them is comparatively not great, and almost entirely confined to the government offices, sycee silver weighed in ounces being a medium seldom adopted in commercial transactions, which, nominally at least, are almost always carried on in dollars.

On entering copper cash for notes, the banker exacts a discount of from five to fifteen cash per thousand. To men in business, the changing of bulky cash into notes is a great accommodation, for the expenses of counting, portorage, stowage, &c., would far exceed this slight discount. That on entering dollars for notes is much higher, and is regulated according to the value they bear in the market. Thus, when a dollar, if exchanged for cash, shall realize 1400 of this coin, it will not, if converted into notes, fetch more than 1360 value. All notes, whether they be for cash, dollars, or sycee, can be returned at the pleasure of the holder, who will receive the amount of value as

therein specified without any further charge. The banker's profit consists in the discount on issue, and the interest he makes on the money whilst it remains in his possession.

In case of any of these notes being stolen or lost, notice is immediately given to the issuers, and payment stopped. This is soon effected, for when notes of some amount, say for 100 dollars, pass into anybody's hands, reference is always made to the bank issuing the note, before the transaction is concluded, in order to guard against counterfeit, and secure its validity. As, therefore, in consequence of the rapid circulation, all notes are returned to the issuer once in every few days, the missing note would soon meet his eye, and be recovered by the rightful owner. But should any notes be burnt, or otherwise destroyed, they cannot be replaced, or the holder indemnified.

Promissory notes form the chief medium through which large mercantile transactions are conducted. Bank-notes are considered equivalent to ready money, which is scarce, and large amounts seldom at once obtainable. The mode adopted is to give the seller of stock a promissory note, payable at one, two, or sometimes three months' sight; the latter, however, are seldom accepted. 'Ten days' grace are generally equally allowable on notes of all sights; and, in case of none being granted, it must be under express stipulation, and the word "immediate" affixed to the note, when it has to be paid on presentation; but, should the insertion of the word be neglected, the ten days' grace are always taken. When the note falls due, the holder presents it for payment, which is made in bills, for silver, dollars, or copper cash, as specified in the note. He then repairs to the bank on which these notes are drawn, accompanied by the drawer, to see that they be duly honoured. But, before the day of presentation arrives, the promissory notes may have passed through several hands, for if given by a firm of good name and standing, great credit is attached to them, and they are extensively circulated. Should the holder wish to make his note immediately convertible, he will find bankers ready to cash it for him, upon the payment of interest on the remainder of sight, at 2 per cent. per annum. These notes are taken at a discount upon payments in ready money, but rates vary according to the extent of sight granted, and the credit of the parties giving them,—on bills of one and two months' sight, as much as from five to twenty per cent. They are entirely issued upon mere private credit, which must be good, for all transactions are based upon it. Scarcely in two instances out of ten will ready money be given in payment for stock.

Bills are also given by firms on their branch-houses at other places, or by the branch-houses upon the principals, which, when obtainable, are a great convenience, and compensate in a measure for the restricted dealings of the banks who cannot make such remittances. In case of these bills being lost by shipwreck, or any other unforeseen accident, the drawer will generally indemnify the holder, though at rather a high discount.

Such, it is believed, is a faithful description of the paper currency and banking system of Fühchow. Though we cannot but condemn the uncontrolled and unrestricted nature of its issues, still there is little room in it for the practice of knavery or fraud, or at least very little to be obtained by the attempt, whilst, on the other hand, the facilities that it affords to the public are great. The notes are generally preferred by the people of the place to bullion itself, as they are more portable, command implicit credit, and may always be cashed when needed. It is to be regretted that they have not a more extended circulation, which would not confine their benefits to merely Fühchow, or its neighbourhood. In the upper departments of the province, between which and the centre, Fühchow, there is much communication, the notes of some of the larger banks are freely taken, but their influence does not extend much further on. Both in the northern and southern departments, the banking assimilates to that of Fühchow, but the notes issued there are only for small sums, nor do they admit of nearly so extensive a circulation.

It may not be irrelevant to allude to the rates of interest, which are very high throughout the country. The following are those exacted at Fühchow, on the best investments, viz., either on land or houses, from 10 to 15 per cent.; on government deposits, which are sometimes forced upon the people by the authorities, 8 per cent. But, on investments on mercantile transactions, especially those of a maritime description, the rates range very high: from 20 to 30 per cent., as the risk run in exposing property to the mercy of the wind and waves, in vessels of not the most insurable description,—or to the still slighter clemency of the pirates that swarm upon the coast, is considered to be very great. On pawnbrokers' loans, they pay 2 per cent. per mensem, or 20 per cent. per annum. In pawning, at Fühchow, five days' grace are allowed, after which another month counts; and if the articles pledged be not redeemed in the course of three years, they then revert to the pawnbrokers, who, according to established custom, part with them to the old clothes' shops, at a settled premium of 20 per cent. on the original pawn. The pawnbrokers' shops are very numerous in China, and are thronged by all

classes, who pawn things of every description, with the utmost indifference.

Silver is now becoming exceedingly dear throughout the land; and the legislature are almost at their wits' ends to know how to stop the incessant drain of the precious metals that is supposed to be flowing out of the country. Great sums must have "oozed out" in return for opium. The value of sycee has been steadily rising. Many complaints were made, about twenty years ago, when a *tael*, or ounce, cost 1500 copper cash, instead of 1000, as was the original fixed value; but the exchange now exceeds 2000 cash per tael!